The Oshawa Group Limited

Annual Report

for the fiscal year ended January 22, 1977

Contents

La version en français de ce rapport sera envoyée sur demande.

Results in Brief

(In thousands of dollars)	**January 22, 1977**	January 24, 1976
Sales		
Wholesale Food	**$ 471,630**	$ 434,473
Retail Food	**313,442**	313,413
Institutional Food	**58,884**	59,606
General Merchandise	**225,147**	207,706
Other	**8,472**	8,659
Total	**1,077,575**	1,023,857
Earnings Before Extraordinary Items	**2,621**	7,196
Earnings Per Share Before Extraordinary Items	**0.39**	1.07
Extraordinary Income	**379**	229
Net Earnings	**3,000**	7,425
Net Earnings Per Share	**.44**	1.10
Dividends Paid Per Share	**0.34**	0.34
Number of Shares Outstanding	**6,749,904**	6,749,904

NUMBER OF STORES AT YEAR END		
Franchise IGA Markets	**377**	370
Other Franchise Food Markets	**583**	555
Company-owned Food Markets	**90**	89
Non-affiliated Food Markets	**958**	819
Department Stores	**41**	39
Combination Food & Department Stores	**2**	2
Drug Marts	**14**	12
Pharmacies	**25**	25
Health & Beauty Aid Stores	**6**	8
Restaurants & Snack Bars	**74**	74
Catalogue Showrooms (50% owned)	**77**	73

Year in Review

A combination of factors resulted in a substantial reduction in profits in 1976 for The Oshawa Group Limited. The year began with a first quarter loss due to reduced profit margins in retail food operations, sluggish sales in the department store division and higher operating expenses overall. However, conditions improved as the year progressed and fourth quarter results compared favorably with those of the previous year.

SALES

Consolidated sales of $1,077,575,000 were 5.2% higher than in the previous year and a record for the Company. Sales increases of 8.6% were realized in wholesale food and 8.4% in general merchandise. Retail and institutional food sales were relatively unchanged. Sales at Hypermarché, Laval in Montreal declined in both food and general merchandise in the first half of 1976. Consequently the decision was made to separate food from general merchandise and to transfer the food operation to Hudon et Deaudelin Ltée while the department store section was retained by Towers Department Stores Limited. This was implemented in August. A significant improvement has taken place at Laval in both food and general merchandise sales since the March, 1977 opening of Décarie Square in Montreal.

Sales by category in thousands of dollars were as follows:

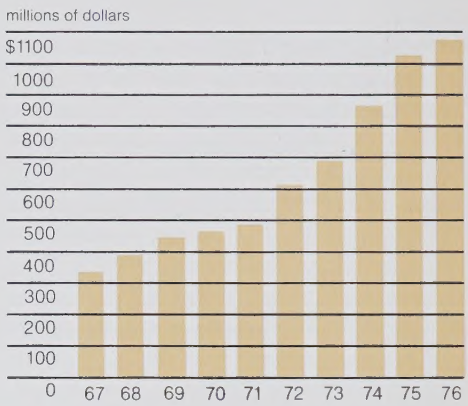
	1976	1975	Percentage Change
Wholesale Food	**$ 471,630**	$ 434,473	8.6
Retail Food	**313,442**	313,413	–
Institutional Food–Dispenser Division	*	2,924	–
–Other	**58,884**	56,682	3.9
General Merchandise	**225,147**	207,706	8.4
Other	**8,472**	8,659	(2.1)
	$1,077,575	$1,023,857	5.2

Sales by Division in thousands of dollars were as follows:

	1976	1975	Percentage Change
Ontario Food Division	**$ 415,941**	$ 398,768	4.3
Hudon et Deaudelin Ltée	**222,460**	217,103	2.5
Bolands Limited	**57,241**	59,001	(3.0)
Codville Distributors Ltd.	**120,802**	106,116	13.8
The Ontario Produce Company Limited	**30,736**	27,444	12.0
Hickeson-Langs Supply Company	**31,326**	31,116	.7
Langs Cold Storage	**1,651**	1,596	3.4
Towers Department Stores Limited	**194,437**	186,743	4.1
Kent Drugs Limited	**18,982**	16,599	14.4
Restaurants	**7,626**	7,711	(1.1)
Coinamatic Laundry Equipment Limited, U.K.	**8,472**	8,659	(2.1)
Model Laundry Limited	**1,450**	1,431	1.3
Dispenser Division	*	2,924	–
Gas Bars	**4,102**	3,339	22.9
Inter-divisional sales elimination	**(37,651)**	(44,693)	
	$1,077,575	$1,023,857	5.2

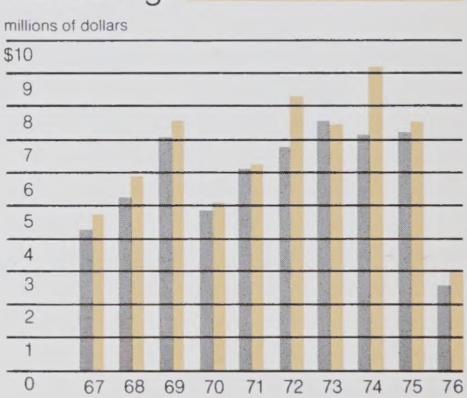
*Referred to later in the report

Sales



Net Earnings Before Extraordinary Income

Net Earnings



Sales increases in the four food divisions were less than the previous year. There were several factors which affected sales – a negative food price inflation, intense price competition, restrictive Sunday and holiday selling legislation, a two and one half week strike at a subsidiary and the disposition of several corporate stores to independent dealers.

The rate of food price inflation dropped dramatically during 1976 and lower food prices contributed significantly to the Federal Government's "success" in reducing the overall inflation rate in Canada. In the fourth quarter, average retail food prices were below 1975.

Price competition at the retail level intensified in mid-May with basic items such as milk, bread, sugar and eggs sold below replacement cost. This continued for the rest of the year, particularly in Ontario.

The Province of Ontario enacted legislation which prevented supermarkets from remaining open on Sundays and statutory holidays. This had an adverse effect on the sales of some of Oshawa's corporate stores which had been open on such days.

The supply depot of Hudon et Deaudelin Ltée in Quebec was closed in November for two and one half weeks by a strike of warehouse employees.

Sales of general merchandise which include Towers Department Stores Limited, Kent Drugs Limited, restaurants and gas bars were up 8.4%. Towers sales (including Hypermarché, Laval) were up 4.1%. In real terms, sales were down when inflation, the opening of the 41st Towers store in Ottawa in the second quarter and the full year effect of two stores opened in 1975 are taken into account.

As with the department store industry, first and second quarter sales were lower than in the previous year. This stimulated heavy promotional activity to dispose of high inventories. In the last quarter sales picked up materially and this has carried over into 1977.

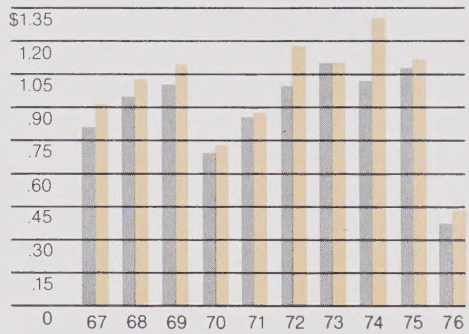
Important management changes have been made and a new program instituted to improve sales and market share.

Kent Drugs Limited sales improved by 14.4% reflecting record levels of prescriptions filled and the continuing maturing of the Drug City chain. Two new Drug City stores were opened and two Stripe Stores selling mainly health and beauty aid products were closed.

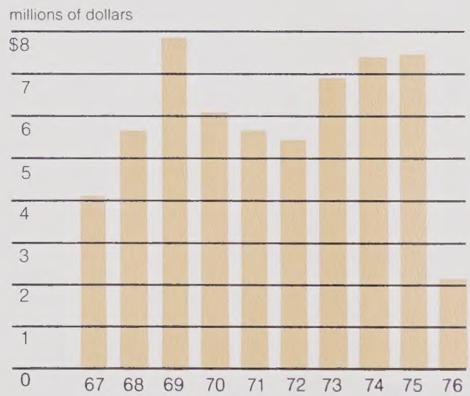
The Restaurant Division is largely dependent upon traffic within the Towers stores and sales decreased by 1.1%. No new units were opened during the year. One coffee shop was converted to a self-service cafeteria and three snack bars closed.

As a group, Institutional Food sales (exclusive of the Dispenser Division) were up 3.9%. This includes The Ontario Produce Company Limited, Hickeson-Langs Supply Company, Langs Cold Storage and Model Laundry Limited.

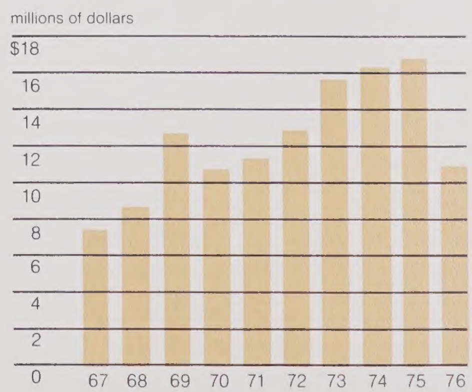
Net Earnings Per Share Before Extraordinary Income
Net Earnings Per Share



Income Taxes



Cash Flow From Operations



The Ontario Produce Company Limited enjoyed a 12% increase in sales despite strong competition in the wholesale market. Sales of packaged produce were buoyant due to increased sales to Europe and the United Kingdom as a result of severe drought conditions.

Hickeson-Langs Supply Company suffered because of ineffective sales programs. New management is addressing this situation.

Langs Cold Storage continues to operate at near capacity.

Sales of Model Laundry Limited were up slightly from the previous year.

Statistically Coinamatic Laundry Equipment Limited (U.K.) showed a decline in sales. However, when the change in the value of the £ Sterling is taken into account, sales were up by 21%.

The Dispenser Division with operations in Canada, U.S. and the Caribbean, was sold to a joint venture company owned equally by Oshawa and Douwe Egberts of Holland and is now reported on an equity basis as to share of earnings.

EARNINGS

Consolidated earnings before extraordinary items were $2,621,000 (39¢ per share) compared with $7,196,000 ($1.07 per share) in the previous year. After extraordinary items of $379,000 ($229,000 last year) net earnings were $3,000,000 (44¢ per share) compared with $7,425,000 ($1.10 per share). The lower earnings from operations before income taxes reflected reduced contributions from Ontario Food Division, Hudon et Deaudelin Ltée, Towers Department Stores Limited, Hickeson-Langs Supply Company and increased interest expense. This was partially offset by a net improvement in other divisions.

Codville Distributors Ltd., Bolands Limited, The Ontario Produce Company Limited, Kent Drugs Limited and the Restaurant Division produced improved profits while other operations were unchanged from last year.

Consumers Distributing Company (National) Limited contributed $585,000 to earnings compared with a loss of $35,000 in the previous year. This company is 50% owned by The Oshawa Group Limited. Improved sales and gross margins coupled with improved expense control were factors in this turnaround.

FINANCIAL POSITION

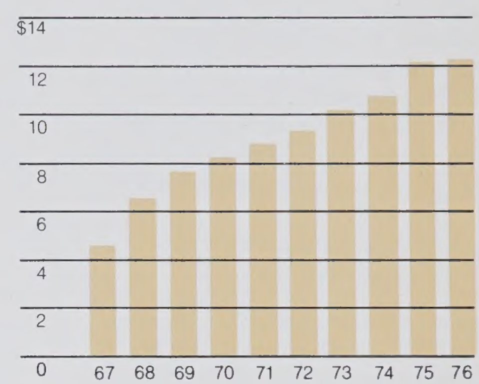
Working capital increased by $865,000 to $13,348,000, details of which are shown in the Consolidated Statement of Changes in Financial Position on Page 14. Total funds made available were $32,119,000. Capital expenditures included $11,726,000 for the Décarie Square Shopping Centre, $1,832,000 for warehouse extensions and $1,612,000 for equipment and leasehold improvements for new stores.

Current bank indebtedness and notes payable of $45,487,000 at year end are well under lines of credit arranged with Canadian chartered banks.

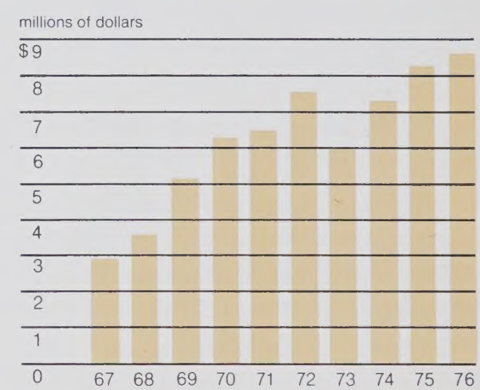
Inventories of $86,921,000 at January 22, 1977 were up 1% from last year, reflecting improved inventory management.

Subsequent to the year end the 5½% subordinated convertible sinking fund debentures were called for redemption on June 14, 1977 to provide flexibility in leasing arrangements.

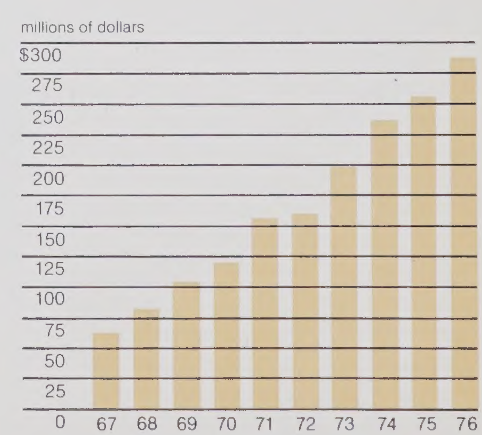
Shareholders' Equity Per Share



Amortization and Depreciation



Total Assets



DIVIDENDS AND SHAREHOLDERS' EQUITY

Dividends of $2,295,000 (34¢ per share) were paid in 1976. There was no change in the number of shares outstanding during the year. Shareholders' equity at January 22, 1977, was $81,842,000 or $12.12 per share.

EXPANSION AND DEVELOPMENT

During the year three Food City markets were opened (Toronto, Ajax and Burlington) bringing total floor space for retail food operations to over 1,300,000 square feet. The 41st Towers department store and two Drug City marts were also opened bringing general merchandise retail square footage to over 2,600,000.

Twenty new IGA franchise stores were opened during the year, 18 in new locations and two from corporate stores being sold to dealers. 13 IGA dealer stores were closed.

Important steps were taken to improve warehousing. Hudon et Deaudelin added 100,000 square feet to its modern warehouse in Montreal. Codville expanded its Saskatoon warehouse by 34,000 square feet and commenced construction of a new 64,000 square foot warehouse in Regina for occupancy in the spring of 1977 to replace a less efficient facility.

In March of 1976, the Company acquired the remaining 50% interest in Décarie Square Inc., which owned commercial land and a partially constructed shopping mall in Metropolitan Montreal. Under Oshawa ownership the centre was completed and opened on March 2, 1977. It includes a food store with a selling area of 53,000 square feet operated by Hudon et Deaudelin and a general merchandise store with a selling area of 76,000 square feet operated by Towers Department Stores Limited. The shopping centre has in addition 165,000 square feet of retail space for 60 to 70 stores and parking space for 1,100 cars, half of which is indoors.

In 1977, one Food City market is to be opened in Toronto.

In April 1977, Midland Fruit Company Limited, a subsidiary of Codville Distributors Ltd. acquired the assets and business of Jansen Produce Company and Jobbers Fruit Company, both in Winnipeg, Manitoba.

The Company is currently undergoing an intensive examination of the viability of all aspects of its business, with particular attention to return on assets employed. Towers has re-evaluated its market share and has embarked on a program to increase traffic flow. Food wholesale operations are also under study with a view towards expansion of this basic and profitable area of the Company. The Corporate Finance Department is being strengthened to emphasize financial planning and control and a number of key divisional management changes have been made.

DIRECTORS AND MANAGEMENT

It is with deep regret that we record the passing of Leonard Wolfe, Vice-Chairman and a director. After 40 years with the Company his counsel and contribution to management will be greatly missed.

Max Wolfe, co-founder of the Company and long time director, retired from the Board. He continues as Honorary Chairman. Philip F. Connell, FCA, joined the Company in October 1976 as a director and Senior Vice President Finance and Chief Financial Officer. He has been a senior financial officer in major Canadian companies.

Other Corporate appointments which have strengthened management were: William Holman, formerly President and General Manager of Codville Distributors Ltd. as Senior Vice President Operations; Charles Comrie, previously Director Payroll Services as Vice President Personnel and Barry Perzow, formerly President and General Manager of a retail food chain as Corporate Vice President Retail Food Operations.

Major divisional appointments include: William L. Atkinson, formerly Executive Vice President Finance of The Oshawa Group Limited as Chairman and Chief Executive Officer, Towers Department Stores Limited; Jack Genser, previously General Manager of the Hypermarché operations as Towers President; Donald Beaumont, formerly with a major Canadian department store as Vice President Marketing, Towers; Jean-Guy Deaudelin, formerly Senior Vice President Administration as President and General Manager of Hudon et Deaudelin Ltée and Jacques Biron, previously manager of a wholesale food company as Executive Vice President. At Codville, Max Hatch, formerly Vice President was appointed President and General Manager and at Langs Cold Storage Kenneth Edworthy, previously Manager of the Hamilton storage plant was appointed General Manager.

OUTLOOK

Political and economic crosscurrents both internationally and domestically create a difficult business environment. Unrealistic claims by governments and labor have resulted in inadequate residual income for the business sector. Until a more disciplined view prevails the outlook generally will be difficult.

Food prices appear to be on an upward trend as increased costs at manufacturing and primary producer levels are passed on. Nevertheless the retail market in food as well as general merchandise continues to be very competitive and likely will remain so for the balance of the year.

Oshawa is concentrating on improving efficiency and return on existing assets. Although the first quarter will reflect a loss due to both seasonality and a marketing plan designed to increase traffic flow, the outlook for the current year is for continued restoration of profitability.

People are our most important asset and in recognition we record our appreciation for the dedicated effort of management and staff, the co-operation of suppliers and the support of shareholders.

May 30, 1977

Ray D. Wolfe
Chairman and Chief Executive Officer

Harvey S. Wolfe
President and Chief Operating Officer

Oshawa's Canadian Operations

Alberta

*Catalogue Showrooms	15

Manitoba, Saskatchewan & Northwestern Ontario

Franchise IGA Markets	89
Other Franchise Food Markets	327
Company-owned Food Markets	15
Non-affiliated Food Markets	592
*Catalogue Showrooms	14
Distribution Centres	6

Ontario

Franchise IGA Markets	151
Other Franchise Food Markets	46
Company-owned Food Markets	58
Non-affiliated Food Markets	48
Department Stores	31
Drug Marts	13
Pharmacies	25
Health & Beauty Aid Stores	6
Restaurants & Snack Bars	45
Gas Bars	7
Distribution Centres	10

Quebec

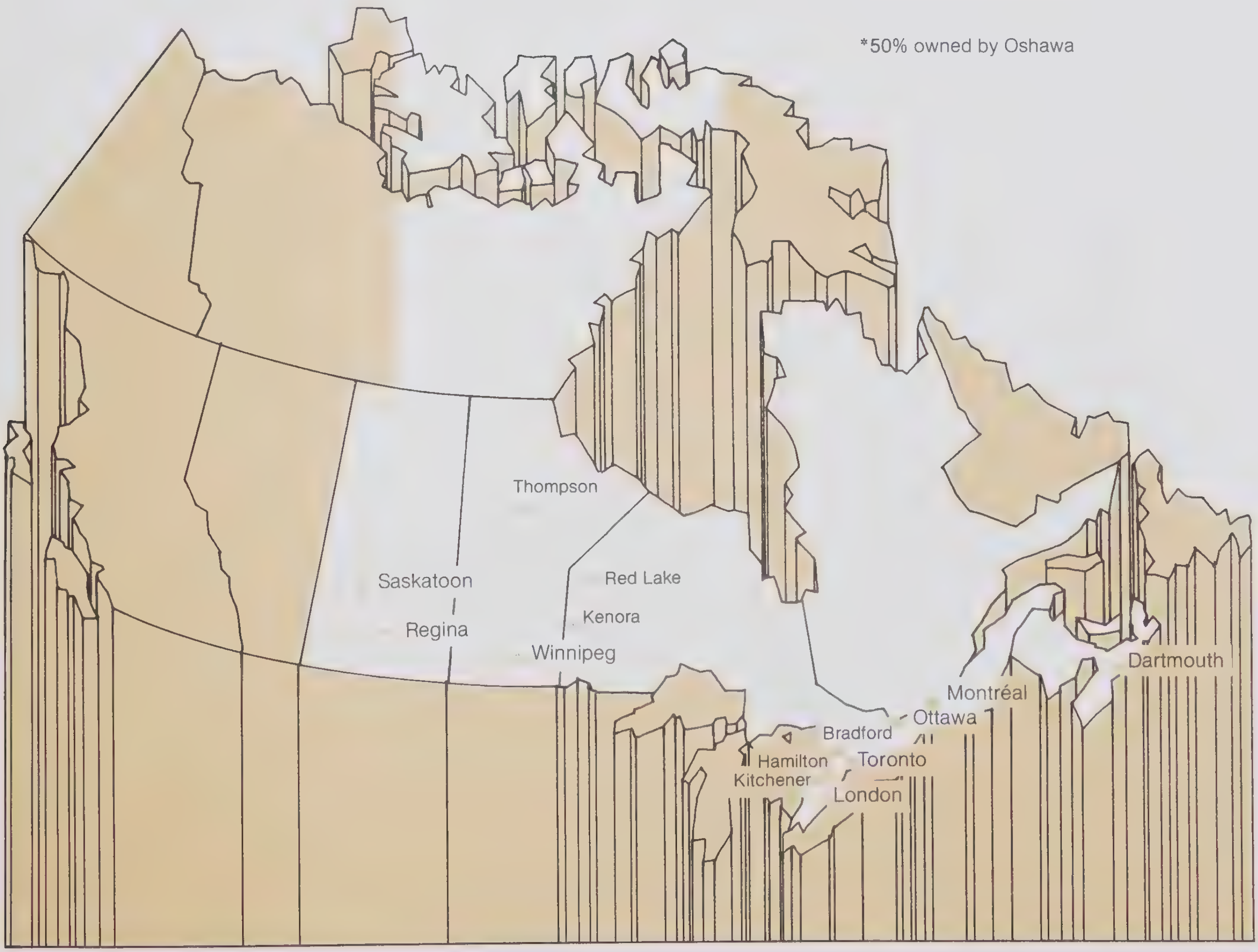
Franchise IGA Markets	107
Other Franchise Food Markets	214
Company-owned Food Markets	11
Non-affiliated Food Markets	233
Department Stores	8
Restaurants & Snack Bars	17
*Catalogue Showrooms	39
Distribution Centres	3
Gas Bar	1

Atlantic Provinces

Franchise IGA Markets	30
Company-owned Food Markets	6
Non-affiliated Food Markets	85
Combination Food & Department Stores	2
Department Stores	2
Drug Mart	1
Restaurants & Snack Bars	12
*Catalogue Showrooms	9
Distribution Centre	1

*50% owned by Oshawa

• Distribution Centres



Consolidated Statement of Earnings

THE OSHAWA GROUP LIMITED AND SUBSIDIARY COMPANIES

(In thousands of dollars)	**Year Ended January 22, 1977**	Year Ended January 24, 1976
SALES	**$1,077,575**	$1,023,857
COST OF SALES AND EXPENSES		
Cost of sales and expenses before the undernoted items:	**1,058,046**	995,264
Interest (note 7)	**8,377**	7,252
Depreciation	**8,465**	7,971
Amortization of goodwill	**89**	89
	1,074,977	1,010,576
	2,598	13,281
Interest and dividends earned	**1,578**	1,357
EARNINGS FROM OPERATIONS BEFORE INCOME TAXES	**4,176**	14,638
Income taxes	**2,073**	7,428
EARNINGS FROM OPERATIONS	**2,103**	7,210
Equity in net earnings (loss) of Consumers Distributing Company (National) Limited	**585**	(35)
Equity in net earnings (loss) of other companies	**(67)**	21
EARNINGS BEFORE EXTRAORDINARY ITEMS	**2,621**	7,196
Extraordinary items (note 8)	**379**	229
NET EARNINGS	**$ 3,000**	$ 7,425
Earnings per share before extraordinary items	**$0.39**	$1.07
Earnings per share	**$0.44**	$1.10
Number of shares outstanding	**6,749,904**	6,749,904

The accompanying notes and summary of significant accounting policies are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Retained Earnings

THE OSHAWA GROUP LIMITED AND SUBSIDIARY COMPANIES

(In thousands of dollars)	**Year Ended January 22, 1977**	Year Ended January 24, 1976
BALANCE, BEGINNING OF YEAR	**$21,141**	$16,011
Add: Net earnings for year	**3,000**	7,425
	24,141	23,436
Less: Dividends—Class A shares	**2,237**	2,237
—Common shares	**58**	58
	2,295	2,295
BALANCE, END OF YEAR	**$21,846**	$21,141

The accompanying notes and summary of significant accounting policies are an integral part of the Consolidated Financial Statements.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of The Oshawa Group Limited as at January 22, 1977, and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination of the financial statements of The Oshawa Group Limited and those subsidiaries of which we are the auditors was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at January 22, 1977, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
April 16, 1977 (May 9, 1977 as to note 15)

Wm. Eisenberg & Co.
Chartered Accountants

Consolidated Balance Sheet

as at January 22, 1977

THE OSHAWA GROUP LIMITED AND SUBSIDIARY COMPANIES

(in thousands of dollars)	January 22, 1977	January 24, 1976
ASSETS		
CURRENT ASSETS		
Cash	**$ 934**	$ 858
Marketable securities (at cost which approximates market value)	**631**	495
Accounts receivable	**37,671**	34,825
Loans and mortgages receivable—current portion	**2,548**	2,115
Inventories	**86,921**	86,084
Real estate held for sale	**4,968**	3,602
Prepaid expenses	**3,822**	3,314
	137,495	131,293
INVESTMENTS AND OTHER ASSETS		
Loans and mortgages receivable	**7,359**	10,511
Shares in Consumers Distributing Company (National) Limited (note 1)	**2,385**	1,800
Other investments (note 1)	**2,534**	2,594
Deferred rent and financing costs	**614**	702
	12,892	15,607
FIXED ASSETS (note 2)		
Land, buildings, equipment and leasehold improvements, at cost	**187,475**	151,685
Less: Accumulated depreciation	**51,324**	44,371
	136,151	107,314
GOODWILL—at cost less amortization of $279 (1976—$190)	**379**	468
	$286,917	$254,682

The accompanying notes and summary of significant accounting policies are an integral part of the Consolidated Financial Statements.

(in thousands of dollars)	**January 22, 1977**	January 24, 1976
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness and notes payable (note 3)	**$ 45,487**	$ 38,274
Accounts payable and accrued liabilities	**74,449**	75,348
Income taxes payable	**883**	3,528
Deferred income taxes	**1,100**	–
Current portion of long term debt	**2,228**	1,660
	124,147	118,810
LONG TERM DEBT (notes 4 and 15)	**71,962**	45,640
DEFERRED INCOME TAXES	**8,754**	8,888
MINORITY INTEREST IN SUBSIDIARIES	**212**	207
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 5)		
Authorized		
11,906,100 Class A non-voting shares, without par value		
912,000 Common shares, without par value		
Issued		
6,578,528 Class A shares	**59,033**	59,033
171,376 Common shares	**44**	44
	59,077	59,077
CONTRIBUTED SURPLUS	**919**	919
RETAINED EARNINGS	**21,846**	21,141
	81,842	81,137
	$286,917	$254,682

Approved on behalf of the Board
Ray D. Wolfe, Director
Philip F. Connell, F.C.A., Director

Consolidated Statement of Changes in Financial Position

THE OSHAWA GROUP LIMITED AND SUBSIDIARY COMPANIES

(In thousands of dollars)	**Year Ended January 22, 1977**	Year Ended January 24, 1976
SOURCE OF WORKING CAPITAL		
OPERATIONS		
Earnings before extraordinary items	**$ 2,621**	$ 7,196
Items not requiring an outlay of funds:		
Depreciation	**8,465**	7,971
Amortization of goodwill	**89**	89
Amortization of deferred expenses	**75**	75
Deferred income taxes	**(188)**	1,457
Equity in net (earnings) loss of Consumers Distributing Company (National) Limited	**(585)**	35
Equity in net (earnings) loss of other companies	**67**	(21)
TOTAL FUNDS FROM OPERATIONS	**10,544**	16,802
OTHER		
Extraordinary items (note 8)	**379**	229
Deferred income taxes on extraordinary items	**54**	38
Reduction (increase) of loans and mortgages receivable	**3,152**	(1,598)
Disposal of fixed assets	**3,916**	3,068
Increase in long term debt	**14,073**	1,159
Sundry items	**1**	30
	32,119	19,728
USE OF WORKING CAPITAL		
Purchase of fixed assets	**21,375**	12,532
Acquisition of Décarie Square Inc. (note 11)	**7,584**	–
Dividends	**2,295**	2,295
	31,254	14,827
INCREASE IN WORKING CAPITAL	**865**	4,901
WORKING CAPITAL, BEGINNING OF YEAR	**12,483**	7,582
WORKING CAPITAL, END OF YEAR	**$13,348**	$12,483

The accompanying notes and summary of significant accounting policies are an integral part of the Consolidated Financial Statements.

Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of The Oshawa Group Limited and all subsidiary companies.

The Company has used the purchase method in accounting for all acquisitions.

The interest of minority shareholders in the operating results of subsidiaries is not significant and is included in cost of sales and expenses in the consolidated statement of earnings.

Translation of Foreign Currencies

Current assets and current liabilities of foreign subsidiaries have been converted to Canadian dollars at rates of exchange prevailing at January 22, 1977; fixed assets with related provisions for depreciation have been converted at rates current at date of acquisition. Income and expense items have been converted at the average rates of exchange prevailing during the year.

Inventories

Warehouse inventories are valued at the lower of cost and net realizable value with cost determined on a first-in, first-out basis. Inventories in retail stores are valued at the lower of cost and net realizable value less normal profit margins as determined by the retail method of inventory valuation.

Real Estate Held For Sale

Real estate held for sale is valued at the lower of cost and net realizable value. Cost includes development expenses and carrying charges including, since January 28, 1973, applicable interest on general borrowings.

Fixed Assets and Depreciation

Major enlargements, remodellings and improvements are charged to the appropriate fixed asset accounts. The cost of maintenance and repairs which does not extend the life of the assets is charged against earnings.

Fixed assets are recorded at cost and are depreciated by the straight line method at rates sufficient to amortize the cost of the assets over their estimated useful life as follows:

Classification	Estimated Useful Life
Buildings	20 to 40 years
Equipment	4 to 10 years
Leasehold improvements	term of lease plus first option to a maximum term of 20 years

Goodwill

Goodwill is being amortized by the straight line method over its estimated useful life, not exceeding 40 years.

Development and Pre-opening Expenses

Development and pre-opening expenses of new stores are written off in the year of opening.

Sale of Stores and Properties

Gains and losses on the sale of stores and properties, other than warehouses and similar operating facilities, are considered an integral part of the Company's operations and are included in ordinary income.

Fiscal Year

The fiscal year of the Company ends on the fourth Saturday in January. A fiscal year usually consists of 52 weeks, with a fiscal year of 53 weeks occurring periodically. The next 53-week fiscal year will end on January 28, 1978.

Notes to the Consolidated Financial Statements

January 22, 1977

1. INVESTMENTS

The Company's 50% interest in Consumers Distributing Company (National) Limited is accounted for by the equity method.

Other investments consist of:

	1977	1976
	(in thousands)	
Real estate joint venture, equity method	$ 1,094	$ 1,070
Shares in other companies, equity method	503	203
Sundry investments, at cost	937	1,321
	$ 2,534	$ 2,594

2. FIXED ASSETS

	1977	1976
	(in thousands)	
Land	$ 21,311	$ 11,596
Buildings	74,321	51,302
Equipment	77,701	75,282
Leasehold improvements	14,142	13,505
	187,475	151,685
Less: Accumulated depreciation	51,324	44,371
	$136,151	$107,314

3. BANK INDEBTEDNESS AND NOTES PAYABLE

This includes bank loans of $25,869,000 and notes payable of $17,500,000, which are secured by a general assignment of book debts. The bank loan of one subsidiary is also secured by a floating charge on its assets.

4. LONG TERM DEBT

	1977	1976
	(in thousands)	
Bank indebtedness	$36,345	$ 9,038
Notes and mortgages payable	15,820	15,237
Series A Debentures	18,000	19,000
5½% Subordinated Convertible Sinking Fund Debentures (Note 15)	4,025	4,025
	74,190	47,300
Less: Current portion	2,228	1,660
	$71,962	$45,640

Long term debt is classified as follows:

	1977	1976
	(in thousands)	
Wholesale and retail operations	$22,771	$24,654
Real estate investments	49,191	20,986
	$71,962	$45,640

BANK INDEBTEDNESS

The bank indebtedness consists of a loan of $13,000,000 payable in 1978 and a loan of $23,345,000 payable in 1981 with both loans being secured by mortgages on shopping centres.

NOTES AND MORTGAGES PAYABLE

These obligations bear interest at an average rate of 9.4% per annum and provide for principal repayments as follows:

		(in thousands)
(fiscal year ending in)	1978	$ 1,228
	1979	481
	1980	522
	1981	1,790
	1982	436
	1983-2002	11,363
		$15,820

SERIES A DEBENTURES

These debentures are secured by a floating charge on the undertaking and assets of the Company and consist of the following:

Description	Interest Rate	Maturity Date	1977	1976
			(in thousands)	
Series A Serial Debentures	8¼%	$1,000,000 on June 15 in each of the years 1977 to 1979 inclusive	$ 3,000	$ 4,000
Series A Sinking Fund Debentures	9¼%	June 15, 1991	15,000	15,000
			$18,000	$19,000

The Serial Debentures are not redeemable prior to maturity. The Company has covenanted to retire $10,000,000 principal amount Sinking Fund Debentures prior to maturity as follows:

1978 and 1979	$ 250,000 in each year
1980 to 1982	500,000 in each year
1983 to 1990	1,000,000 in each year

In addition to the mandatory sinking fund payments referred to above, the Company has the non-cumulative right to retire up to $500,000 principal amount of Sinking Fund Debentures in each of the years 1977 to 1985.

Financing costs of this issue are being amortized over the terms of the debentures. Amortization for the current year amounts to $42,000 (1976–$42,000).

5½% SUBORDINATED CONVERTIBLE SINKING FUND DEBENTURES

The Company has outstanding $4,025,000 of 5½% Subordinated Convertible Sinking Fund Debentures, due November 15, 1986. Annual sinking fund payments of $500,000 commence November 15, 1977. However, under the provisions of the Trust Indenture, $3,975,000 of the original issue of $8,000,000 of debentures which have been converted are available to the Company as a credit against sinking fund payments. The debentures are convertible into Class A shares as follows:

Up to November 15, 1981	at $15.50 per share
November 16, 1981 to November 15, 1986	at $17.00 per share

5. CAPITAL STOCK

CLASS A SHARES

The Class A shares are non-voting, participating and are entitled to a non-cumulative annual dividend of 1¼¢ per share in priority to payment of dividends on the common shares.

The Company has reserved 347,700 Class A shares for issue under the Executives' and Key Employees' Plan 1966. As at January 22, 1977, options for 9,040 Class A shares were outstanding under this plan, exercisable to 1978 at prices ranging from $9.80 to $12.50 per share.

The Company has reserved 287,500 Class A shares for conversion of the 5½% Subordinated Convertible Sinking Fund Debentures and a further 630,063 Class A shares for the exercise of the Series A Warrants.

SERIES A WARRANTS

The Company has authorized the issue of Series A Warrants entitling the holders thereof to purchase in the aggregate 700,000 Class A shares. The holder of each warrant is entitled to purchase one Class A share as follows:

Up to February 28, 1977	$65
From March 1, 1977 to February 28, 1978	$70
From March 1, 1978 to February 28, 1979	$75

The warrants expire February 28, 1979.

As at January 22, 1977, 630,063 Series A Warrants were outstanding.

6. SALES

Sales for each of the major segments of the Company's business were as follows:

	1977		1976	
	Amount	%	Amount	%
	(in thousands)		(in thousands)	
Wholesale Food	$ 471,630	44	$ 434,473	42
Retail Food	313,442	29	313,413	31
Institutional Food	58,884	5	59,606	6
General Merchandise	225,147	21	207,706	20
Other	8,472	1	8,659	1
	$1,077,575	100	$1,023,857	100

7. INTEREST EXPENSE

	1977	1976
	(in thousands)	
Interest on long term debt	$ 6,410	$ 3,807
Other interest	5,076	4,099
	11,486	7,906
Less:		
Interest capitalized to cost of real estate	3,109	654
Interest expense for year	$ 8,377	$ 7,252

8. EXTRAORDINARY ITEMS

	1977	1976
	(in thousands)	
Gain on disposal of 50% interest in Dispenser Division less income taxes of $82,000	$379	$ –
Gain on disposal of plant and warehouse properties less income taxes of $58,000	–	186
Income tax reductions on application of prior years' losses	–	43
	$379	$229

9. LEASES

The total minimum rentals payable for store locations, office and warehouse facilities (exclusive of additional amounts based on percentage of sales, taxes, insurance and other occupancy charges) under long term leases in effect at January 22, 1977 for each of the periods shown below are as follows:

	(in thousands)
(fiscal year ending in) 1978	$14,522
1979-1983	64,410
1984-1988	52,148
1989-1993	38,542
after 1993	43,021

In addition, the Company has signed leases or agreements to lease for new store locations and other facilities which when occupied will have minimum annual rentals of $485,000.
The Company has entered into an agreement to lease equipment for a term of seven years commencing in 1977 with annual payments of approximately $500,000.
It is expected that rental revenue of $4,068,000 will be received in the fiscal year ending January 28, 1978 from locations which have been sublet.

10. CONTINGENT LIABILITIES

(a) The Company has guaranteed one half of the bank loan of Consumers Distributing Company (National) Limited which guarantee amounted to $8,000,000, at January 22, 1977. The Company has also guaranteed long term leases of Consumers Distributing Company (National) Limited having minimum annual rentals of $1,156,000.

(b) The Company has guaranteed one half of any deficiency between net rental income and the payment of principal, interest and taxes required under a mortgage loan having a balance of $8,410,000 at January 22, 1977. The Company has received an indemnity for any losses which may be suffered under this guarantee.

(c) A legal action claiming damages of $1,286,000 has been instituted against the Company for an alleged failure to honour a commitment to lease in a shopping centre. In the opinion of our counsel, based on the facts now known, the most probable outcome of this action, if it were to proceed to trial, would be the dismissal of plaintiff's action.

11. ACQUISITION OF DÉCARIE SQUARE INC.

On March 17, 1976 the Company acquired by agreement the remaining 50% interest in Décarie Square Inc. which owns commercial and residential land and an enclosed shopping mall in Metropolitan Montreal (Quebec). The following is a summary of assets acquired and liabilities assumed:

	(in thousands)
Fixed assets	$19,843
Long term debt	12,249
	7,594
Current construction liabilities	7,574
	20
Original 50% interest accounted for by the equity method	10
Cash consideration for net assets acquired	10
Current construction liabilities	7,574
Funds required at date of acquisition	$ 7,584

12. PENSION PLANS

Pension costs included in the consolidated statement of earnings represent current service contributions. There is no unfunded past service liability.

13. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration during the year to directors and senior officers, as defined by The Business Corporation Act, Ontario, was $1,279,000–(1976–$1,152,000).

14. ANTI-INFLATION LEGISLATION

The Company is subject to controls on profit margins, prices, dividends and compensation under the terms of the Anti-Inflation Act and Regulations.

15. SUBSEQUENT EVENT

On May 9, 1977, the Company gave notice to the holders of all the 5½% Subordinated Convertible Sinking Fund Debentures to redeem all such debentures on June 14, 1977 for $4,175,937 together with accrued interest.

16. COMPARATIVE FIGURES

The comparative figures for the previous year have been reclassified where necessary to conform with the current year's presentation.

Ten Year Comparative Summary

(in thousands of dollars)

THE OSHAWA GROUP LIMITED AND SUBSIDIARY COMPANIES

Year Ended	Sales	Amortization and Depreciation	Income Taxes **	Earnings Before Extraordinary Income **	Earnings Per Share Before Extraordinary Income *	Earnings Before Extraordinary Income as a % of Sales	Net Earnings **	Net Earnings Per Share ** *†	Cash Flow From Operations **	Total Dividends	Dividends Per Share	Reinvested in Business **
Jan. 22, 1977	$1,077,575	$8,629	$2,073	$2,621	$ .39	.24	$3,000	$ .44	$10,544	$2,295	34.0¢	$ 705
Jan. 24, 1976	1,023,857	8,135	7,428	7,196	1.07	.70	7,425	1.10	16,802	2,295	34.0	5,130
Jan. 25, 1975	866,518	7,243	7,412	7,158	1.03	.83	9,084	1.31	16,361	2,338	34.0	6,746
Jan. 26, 1974	697,583	5,976	6,994	7,622	1.08	1.09	7,584	1.08	15,603	2,394	34.0	5,190
Jan. 27, 1973	600,385	7,485	5,433	6,825	.97	1.14	8,374	1.19	13,061	2,110	30.0	6,264
Jan. 22, 1972	490,381	6,493	5,783	6,104	.87	1.24	6,181	.88	11,732	1,748	25.0	4,433
Jan. 23, 1971	469,771	6,104	6,082	4,891	.70	1.04	5,099	.73	10,718	1,747	25.0	3,352
Jan. 24, 1970	445,175	5,061	7,926	7,039	1.01	1.58	7,508	1.08	12,729	1,528	22.0	5,980
Jan. 25, 1969	298,684	3,543	5,709	5,260	.94	1.76	5,791	1.03	8,838	1,020	18.0	4,771
Jan. 27, 1968	237,441	2,803	4,025	4,222	.81	1.78	4,760	.91	7,591	690	13.0	4,070

Year Ended	Shares *†	Shareholders' Equity **	Shareholders' Equity Per Share ** *†	High-Low Stock Price	Total Assets	Current Assets	Current Liabilities **	Working Capital **	Current Ratio **	Salaries, Wages, Benefits	Number of Regular Employees At Year End
Jan. 22, 1977	6,749,904	$81,842	$12.12	5⅝- 3	$286,917	$137,495	$124,147	$13,348	1.11:1	$112,606	6,909
Jan. 24, 1976	6,749,904	81,137	12.02	6¾- 4	254,682	131,293	118,810	12,483	1.11:1	102,967	7,338
Jan. 25, 1975	6,931,772	76,007	10.97	8 -3⅝	236,122	115,629	108,047	7,582	1.07:1	85,139	6,910
Jan. 26, 1974	7,041,816	70,733	10.04	11⅝- 6	199,488	96,194	79,012	17,182	1.22:1	69,424	6,169
Jan. 27, 1973	7,024,990	66,245	9.43	14¾-10¼	169,111	75,743	58,322	17,421	1.30:1	57,920	6,246
Jan. 22, 1972	6,991,515	61,270	8.76	14⅜- 8¾	156,357	59,775	44,003	15,772	1.36:1	50,169	5,602
Jan. 23, 1971	6,981,908	56,751	8.13	25⅛- 9½	120,369	57,356	50,115	7,241	1.14:1	46,881	6,316
Jan. 24, 1970	6,942,502	53,225	7.67	36⅜-22	103,769	47,176	38,629	7,547	1.22:1	40,794	7,011
Jan. 25, 1969	5,609,276	36,490	6.51	45¾-27¼	77,133	40,591	30,804	9,787	1.32:1	27,705	4,791
Jan. 27, 1968	5,226,648	23,391	4.48	32¼-12⅜	59,586	34,368	23,148	11,220	1.48:1	19,722	3,092

*Combined Class A and Common.

†Net Earnings Per Share and Shareholders' Equity Per Share have been calculated on the average number of shares outstanding during the year rather than on the shares outstanding at the end of the year.

**The comparative figures have been restated to give effect to income tax adjustments of prior years.

Directors, Management and Salient Data

Max Wolfe
Honorary Chairman of the Board

Directors

Ray D. Wolfe
Chairman of the Board
William L. Atkinson
*Philip F. Connell, F.C.A.
Murray C. Goldman
Charles Perrault, M. Eng.
*Albert Shifrin, Q.C.
*Arthur J. R. Smith, Ph.D., D.U.C., LL.D.
Harold J. Wolfe
Harvey S. Wolfe
Jack B. Wolfe
**Audit Committee*

Officers

Ray D. Wolfe
Chairman and Chief Executive Officer
Harvey S. Wolfe
President and Chief Operating Officer
Philip F. Connell, F.C.A.
Senior Vice President and Chief Financial Officer
Leonard Eisen, C.A.
Treasurer
Harold J. Wolfe
Secretary

Corporate Management

Ray D. Wolfe
Chairman and Chief Executive Officer
Harvey S. Wolfe
President and Chief Operating Officer
Philip F. Connell, F.C.A.
Senior Vice President and Chief Financial Officer
William H. Holman
Senior Vice President Operations
Jack B. Wolfe
Group Vice President Institutional Food
Charles Comrie
Vice President Personnel
Sam Crystal
Vice President Public Affairs
Murray C. Goldman
Vice President Development
G. Michael Moffat
Vice President Planning
Barry Perzow
Vice President Retail Food Operations
Leonard Eisen, C.A.
Treasurer
E. Leonard Besler, C.A.
Corporate Controller

Operating Divisions
Wholesale and Retail Food–

BOLANDS LIMITED
Dartmouth, Nova Scotia
Leif Christensen
President and General Manager
CODVILLE DISTRIBUTORS LTD.
Winnipeg, Manitoba
Max Hatch
President and General Manager
HUDON ET DEAUDELIN LTÉE
Montreal, Quebec
Jean-Guy Deaudelin
President and General Manager
ONTARIO FOOD DIVISION
Toronto, Ontario
Allister P. Graham
Vice President and General Manager

General Merchandise–

TOWERS DEPARTMENT STORES LIMITED
Toronto, Ontario
William L. Atkinson
Chairman and Chief Executive Officer
Jack Genser
President
KENT DRUGS LIMITED
Toronto, Ontario
Ab Flatt
President
RESTAURANT DIVISION
Toronto, Ontario
Redmond J. Langan
Vice President and General Manager

Institutional–

DOMINION MUSHROOM COMPANY LIMITED
Pickering, Ontario
Nate Tickner
Manager
HICKESON-LANGS SUPPLY COMPANY
Toronto, Ontario
William H. Holman
Acting President
LANGS COLD STORAGE
Hamilton, Ontario
Ken Edworthy
General Manager
THE ONTARIO PRODUCE COMPANY LIMITED
Toronto, Ontario
Vern T. Barber
President and Chief Executive Officer
BRADFORD PACKING CENTRE
Bradford, Ontario
Glen Henderson
Manager
THE WHITE & COMPANY
Toronto, Ontario
Vance Graham
Manager

Services–

COINAMATIC LAUNDRY EQUIPMENT LIMITED
London, U.K.
Robin H. Phillips, F.C.A.
Managing Director
MODEL LAUNDRY LIMITED
Toronto, Ontario
Carlo Bryce
General Manager

Registrar and Transfer Agents–

Class A Shares and Series A Debentures,
The Canada Trust Company,
Toronto, Montreal, Calgary, Vancouver and Regina
5½% Subordinated Convertible Sinking Fund Debentures,
National Trust Company Limited, Toronto

Auditors

Wm. Eisenberg & Co., Toronto

Bankers

Canadian Imperial Bank of Commerce
Banque Canadienne Nationale
Mercantile Bank of Canada
Bank of Montreal
Bank of Nova Scotia
Toronto-Dominion Bank

Listed On

Toronto Stock Exchange
Montreal Stock Exchange

Head Office

300 The East Mall
Islington, Ontario
Canada
M9B 6B8

Subsidiaries

Bolands Limited
Codville Distributors Ltd.
Dutch Boy Food Market Limited
Hudon et Deaudelin Ltée
Midland Fruit Co. Ltd.

Coinamatic Laundry Equipment Limited

Dominion Mushroom Company Limited
E. W. Hickeson & Co. Limited
Langs Cold Storage
The Ontario Produce Company Limited

Marchland Holdings Limited
Oshawa Properties Limited

Model Laundry Limited

Kent Drugs Limited
Towers Department Stores Limited

Consumers Distributing Company
(National) Limited (50% owned)

Moccomat Beverage Systems Limited
(50% owned)

The Oshawa Group Limited
300 The East Mall, Islington, Ontario, Canada, M9B 6B8

midyear report

for the 28 weeks ended
August 6, 1977

The Oshawa Group Limited
300 The East Mall
Islington, Ontario
M9B 6B8

Oshawa

Operating Results

Second quarter earnings from operations of $683,000 (11 cents per share) reflect continued improvement over $296,000 (5 cents per share) last year. Year to date loss from operations has been reduced to $908,000 (13 cents per share) compared with a loss of $1,649,000 (24 cents per share) in the first 28 weeks of 1976. Tax reductions which may be realized as a result of the 3% inventory allowance proposed in the Federal Budget have not been taken into account since the legislation has not yet been enacted.

Consolidated sales of $609,457,000 in the 28 weeks ended August 6, 1977 were 7.2% ahead of the same period last year with all divisions contributing to the improvement.

Corporate Changes

A program of corporate simplification is underway with a number of wholly owned subsidiaries being consolidated into one major subsidiary in which each will function as a division rather than as a separate legal entity.

To provide increased economies and better coordination with the Company's other department stores in Quebec, the general merchandise sections of the two Montreal Hypermarché stores now have been redesignated as Bonimart units.

During the second quarter, all of the outstanding 5½% Subordinated Convertible Sinking Fund Debentures were called for redemption requiring a cash outlay of $4,176,000. A term loan of $5,000,000 having been arranged, working capital at August 6, 1977 was $13,761,000, an increase of $413,000 since the beginning of the year.

H. S. Wolfe resigned as President to pursue private business interests and the Chairman assumed the combined role of Chairman and President.

Outlook

In spite of less than buoyant general economic conditions, it is anticipated that the year's results will exceed those of the previous year.

September 30, 1977

R. D. Wolfe
Chairman and President

Oshawa

earnings from operations of $683,000 (11 cents per continued improvement over $296,000 (5 cents per Year to date loss from operations has been reduced to ·nts per share) compared with a loss of $1,649,000 (24 in the first 28 weeks of 1976. Tax reductions which i as a result of the 3% inventory allowance proposed dget have not been taken into account since the t yet been enacted.

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oyant general economic conditions, it is antici- ilts will exceed those of the previous year.

R. D. Wolfe
Chairman and President

The Oshawa Group Limited and Subsidiary Companies

Consolidated Statement of Earnings

(thousands of dollars)

	Second Quarter ended		28 Weeks ended	
	August 6, 1977	August 7, 1976	**August 6, 1977**	August 7, 1976
Sales	**$364,801**	$336,805	**$609,457**	$568,273
ngs (loss) before income taxes	**1,364**	737	**(1,654)**	(2,529)
come taxes (recoverable)	**681**	441	**(746)**	(880)
rnings (loss) from operations	**683**	296	**(908)**	(1,649)
traordinary items				383
Net earnings (loss)	**$ 683**	$ 296	**$ (908)**	$ (1,266)
Per share:				
Earnings (loss) from operations	**$ .11**	$ .05	**$ (.13)**	$ (.24)
Net earnings (loss)	**$ .11**	$ .05	**$ (.13)**	$ (.19)

Notes: 1. All figures are unaudited and subject to year-end adjustments.
2. Fully diluted loss per share both before and after extraordinary items is the same as reported above.

The Oshawa Group Limited and Subsidiary Companies

Consolidated Statement of Changes in Financial Position

(thousands of dollars)

	28 weeks ended	
	August 6, 1977	August 7, 1976
Source of Working Capital		
Operations		
Earnings (loss) before extraordinary items	**$ (908)**	$ (1,649)
Items not requiring an outlay of funds:		
Depreciation	**5,248**	4,652
Amortization of goodwill	**50**	47
Amortization of deferred expenses	**55**	55
Deferred income taxes	**601**	852
Equity in net (earnings) loss of other companies	**(170)**	376
Total funds from operations	**$ 4,876**	$ 4,333
Other		
Extraordinary items	**–**	383
Deferred income taxes on extraordinary items	**–**	54
Reduction of loans and mortgages receivable	**723**	2,971
Decrease in investments	**645**	–
Proceeds on disposal of Dispenser Division	**–**	1,949
Net increase in long term debt	**–**	7,527
Sundry items	**15**	242
	$ 6,259	$ 17,459
Use of Working Capital		
Purchase of fixed assets less disposals	**3,225**	9,047
Acquisition of subsidiary property company including current construction obligations	**–**	7,574
Increase in investments	**–**	204
Net decrease in long term debt	**1,372**	–
Dividends to shareholders	**1,147**	1,147
Sundry items	**102**	12
	$ 5,846	$ 17,984
Increase (Decrease) in Working Capital	**$ 413**	$ (525)
Working capital at end of period	**$ 13,761**	$ 11,958
Working capital at beginning of year	**13,348**	12,483
Increase (Decrease) in working capital	**$ 413**	$ (525)

Le Groupe Oshawa Limitée et ses filiales

État consolidé de l'évolution de la situation financière

(en milliers de dollars)

	28 semaines terminées, le **6 août 1977**	7 août 1976
Provenance du fonds de roulement		
Exploitation		
Bénéfice (perte) avant postes extraordinaires	**$ (908)**	$ (1,649)
Postes n'entraînant pas de sortie de fonds:		
Amortissement	**5,248**	4,652
Amortissement de l'achalandage	**50**	47
Amortissement de frais reportés	**55**	55
Impôts sur le revenu reportés	**601**	852
Part (du bénéfice net) de la perte nette d'autres compagnies	**(170)**	376
Total des fonds provenant de l'exploitation	**$ 4,876**	$ 4,333
Autres		
Postes extraordinaires	**–**	383
Impôts sur le revenu reportés sur les postes extraordinaires	**–**	54
Diminution des prêts et hypothèques à recevoir	**723**	2,971
Diminution des investissements	**645**	–
Produits de la vente de la division des distributeurs automatiques	**–**	1,949
Augmentation nette de la dette à long terme	**–**	7,527
Divers	**15**	242
	$ 6,259	$ 17,459
Utilisation du fonds de roulement		
Achat d'immobilisations moins ventes	**3,225**	9,047
Acquisition d'une compagnie immobilière filiale, y compris les engagements actuels de construction	**–**	7,574
Augmentation des investissements	**–**	204
Diminution nette de la dette à long terme	**1,372**	–
Dividendes versés aux actionnaires	**1,147**	1,147
Divers	**102**	12
	$ 5,846	$ 17,984
Augmentation (diminution) du fonds de roulement	**$ 413**	$ (525)
Fonds de roulement à la clôture de l'exercice	**$ 13,761**	$ 11,958
Fonds de roulement au début de l'exercice	**13,348**	12,483
Augmentation (diminution) du fonds de roulement	**$ 413**	$ (525)

Le Groupe Oshawa Limitée et ses filiales

État consolidé du bénéfice

(en milliers de dollars)

	Deuxième trimestre terminée, le		28 semaines terminées, le	
	6 août 1977	7 août 1976	**6 août 1977**	7 août 1976
Chiffre d'affaires	**$364,801**	$336,805	**$609,457**	$568,273
Bénéfice (perte) avant impôts sur le revenu	**1,364**	737	**(1,654)**	(2,529)
Impôts sur le revenu (à recouvrer)	**681**	441	**(746)**	(880)
Bénéfice (perte) d'exploitation	**683**	296	**(908)**	(1,649)
Postes extraordinaires				383
Bénéfice net (perte nette)	**$ 683**	$ 296	**$ (908)**	$ (1,266)
Par action:				
Bénéfice (perte) d'exploitation	**$ .11**	$ .05	**$ (.13)**	$ (.24)
Bénéfice net (perte nette)	**$ .11**	$ .05	**$ (.13)**	$ (.19)

Remarques 1. Tous les chiffres sont non vérifiés et sont assujettis à des redressements de fin d'exercice.

2. La perte entièrement diluée par action à la fois avant et après les postes extraordinaires est la même que signalée ci-dessus.

Résultats d'exploitation

Le bénéfice d'exploitation du second trimestre qui s'élève à $683,000 (soit 11 cents par action) reflète l'amélioration continue par rapport au bénéfice de $296,000 (soit 5 cents par action) réalisé l'an dernier. La perte d'exploitation subie depuis le début de l'exercice a été réduite à $908,000 (soit 13 cents par action) alors qu'elle s'était élevée à $1,649,000 (soit 24 cents par action) au cours des 28 premières semaines de 1976. Les réductions fiscales que la compagnie peut réaliser à la suite de la déduction pour stock de 3% proposée dans le Budget fédéral n'a pas été prise en considération puisque la loi n'a pas encore été promulguée.

Le chiffre d'affaires consolidé de $609,457,000 réalisé au cours des 28 semaines se terminant le 6 août 1977 était de 7.2% supérieur à celui réalisé au cours de la même période l'an dernier et toutes les divisions ont contribué à l'amélioration.

Changements de structure

Dans le cadre d'un programme de simplification, la compagnie a entrepris de consolider un certain nombre de filiales en propriété exclusive en une filiale principale au sein de laquelle chaque filiale consolidée sera considérée comme une division plutôt que comme une entité juridique distincte.

Afin de réaliser de meilleures économies et d'assurer une meilleure coordination avec les autres grands magasins de la compagnie au Québec, les sections de marchandises générales des deux hypermarchés de Montréal ont maintenant été redésignées sous le nom de magasins Bonimart.

Au cours du second trimestre, on a demandé le rachat de toutes les débentures 5½%, subordonnées et convertibles, à fonds d'amortissement, ce qui a entraîné un déboursé de $4,176,000. A la suite de la conclusion d'un emprunt à terme de $5,000,000, le fonds de roulement au 6 août 1977 s'élevait à $13,761,000, soit une augmentation de $413,000 depuis le début de l'année.

M. H. S. Wolfe a démissionné de son poste de président pour s'occuper de ses intérêts commerciaux privés et le président du conseil a assumé le rôle combiné de président du conseil et de président.

Perspectives

En dépit de conditions économiques généralement peu favorables, on estime que les résultats de l'exercice seront meilleurs que ceux de l'exercice précédent.

Le 30 septembre 1977

Le président du conseil et président,
R. D. Wolfe

rapport semi-annuel

des 28 semaines terminées
le 6 août 1977

Le Groupe Oshawa Limitée
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